

Two problems arise when marginal tax rates are raised. First, as college students learn in Econ 101, higher marginal rates cause real economic harm. The combined marginal rate from all taxes is a vital metric, since it heavily influences incentives in the economy—workers and employers, savers and investors base decisions on after-tax returns. Thus tax rates need to be kept as low as possible, on the broadest possible base, consistent with financing necessary government spending.

Second, as tax rates rise, the tax base shrinks and ultimately, as Art Laffer has long argued, tax rates can become so prohibitive that raising them further reduces revenue—not to mention damaging the economy. That is where U.S. tax rates are headed if we do not control spending soon.

The current top federal rate of 35% is scheduled to rise to 39.6% in 2013 (plus one-to-two points from the phaseout of itemized deductions for singles making above \$200,000 and couples earning above \$250,000). The payroll tax is 12.4% for Social Security (capped at \$106,000), and 2.9% for Medicare (no income cap). While the payroll tax is theoretically split between employers and employees, the employers' share is ultimately shifted to workers in the form of lower wages.

But there are also state income taxes that need to be kept in mind. They contribute to the burden. The top state personal rate in California, for example, is now about 10.5%. Thus the marginal tax rate paid on wages combining all these taxes is 44.1%. (This is a net figure because state income taxes paid are deducted from federal income.)

So, for a family in high-cost California taxed at the top federal rate, the expiration of the Bush tax cuts in 2013, the 0.9% increase in payroll taxes to fund ObamaCare, and the president's proposal to eventually uncap Social Security payroll taxes would lift its combined marginal tax rate to a stunning 58.4%.

But wait, things get worse. As Milton Friedman taught decades ago, the true burden on taxpayers today is government spending; government borrowing requires future interest payments out of future taxes. To cover the Congressional Budget Office projection of Mr. Obama's \$841 billion deficit in 2016 requires a 31.7% increase in all income tax rates (and that's assuming the Social Security income cap is removed). This raises the top rate to 52.2% and brings the total combined marginal tax rate to 68.8%. Government, in short, would take over two-thirds of any incremental earning.

Many Democrats demand no changes to Social Security and Medicare spending. But these programs are projected to run ever-growing deficits totaling tens of trillions of dollars in coming decades, primarily from rising real benefits per beneficiary. To cover these projected deficits would require continually higher income and payroll taxes for Social Security and Medicare on all taxpayers that would drive the combined marginal tax rate on labor income to more than 70% by 2035 and 80% by 2050. And that's before accounting for the Laffer effect, likely future interest costs, state deficits and the rising ratio of voters receiving government payments to those paying income taxes.

It would be a huge mistake to imagine that the cumulative, cascading burden of many tax rates on the same income will leave the middle class untouched. Take a teacher in California earning \$60,000. A current federal rate of 25%, a 9.5% California rate, and 15.3% payroll tax yield a combined income tax rate of 45%. The income tax increases to cover the CBO's projected federal deficit in 2016 raises that to 52%. Covering future Social Security and Medicare deficits brings the combined marginal tax rate on that middle-

income taxpayer to an astounding 71%. That teacher working a summer job would keep just 29% of her wages. At the margin, virtually everyone would be working primarily for the government, reduced to a minority partner in their own labor.

Nobody—rich, middle-income or poor—can afford to have the economy so burdened. Higher tax rates are the major reason why European per-capita income, according to the Organization for Economic Cooperation and Development, is about 30% lower than in the United States—a permanent difference many times the temporary decline in the recent recession and anemic recovery.

Some argue the U.S. economy can easily bear higher pre-Reagan tax rates. They point to the 1930s–1950s, when top marginal rates were between 79% and 94% or the Carter-era 1970s, when the top rate was about 70%. But those rates applied to a much smaller fraction of taxpayers and kicked in at much higher income levels relative to today.

There were also greater opportunities for sheltering income from the income tax. The lower marginal tax rates in the 1980s led to the best quarter-century of economic performance in American history. Large increases in tax rates are a recipe for economic stagnation, socioeconomic ossification, and the loss of American global competitiveness and leadership.

There is only one solution to this growth-destroying, confiscatory tax-rate future: Control spending growth, especially of entitlements. Meaningful tax reform—not with higher rates as Mr. Obama proposes, but with lower rates on a broader base of economic activity and people—can be an especially effective complement to spending control. But without increased spending discipline, even the best tax reforms are doomed to be undone.

Mr. KYL. Madam President, I suggest the absence of a quorum.

The ACTING PRESIDENT pro tempore. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mrs. MURRAY. Madam President, I ask unanimous consent that the order for the quorum call be rescinded.

The ACTING PRESIDENT pro tempore. Without objection, it is so ordered.

#### MILCON APPROPRIATIONS

Mrs. MURRAY. Madam President, there is no question that we need to make smart decisions to tighten our belts and reduce our Nation's debt and deficit. American families have done it around their kitchen table, and we owe it to them to get our fiscal house in order.

But there is also one group of Americans we owe an even greater promise to, a group we can never allow to become pawns or fall through the cracks, or be forgotten altogether in these budgets debates, and that is our men and women in uniform and the veterans who have protected our Nation for decades. That is why I am here today on the floor, in the midst of the whirlwind of debt and deficit rhetoric, to remind us all of the critical nature of the bill that is on the floor this week; to remind us all that no matter what fiscal crisis we face, no matter how divided we may be over approaches

to cutting our debt and deficit, no matter how heated the rhetoric gets here in Washington, DC, we have to keep our commitments to our veterans and servicemembers, and we have to move this bill forward and we have to provide for those who wore or who are wearing the uniform with the peace of mind that we are keeping our promise to them.

A couple of years ago we took a proactive step to make sure the non-stop wrangling over appropriations bills here in Congress didn't interfere with the health care our veterans have earned. Thanks to the work of Senator AKAKA and many others, the VA spending for health care is now appropriated a year in advance, protecting it from an imperfect budget process that is so often affected by politics.

But I remember when we passed advanced appropriations, we were very clear. Our foresight was not going to be an excuse to sit on our hands when VA funding was up for consideration. We were not going to allow a precautionary measure to get in the way of passing timely increases in veterans' health care, and so this bill is the test.

Can we put politics aside for the good of our Nation's veterans and servicemembers? Can we show them that, despite our differences, we will work as diligently toward getting them the benefits and care they have earned as they have worked for our Nation? Well, I hope we can.

I say that because the investments in this bill are a lot more than numbers on a page. They are life-changing programs for veterans with post-traumatic stress disorder and traumatic brain injury. It is support for suicide hotlines that are seeing more callers than ever before. It is providing roofs over the heads of our servicemembers and their families. It is timely investments in the very biggest priorities of our Nation's heroes.

Today I want to talk about a few of the investments that are included in the bill we are considering today and how they translate into the lives of our servicemembers, our veterans and, critically, their families.

There is an influx of young veterans coming into the VA system right now that we have not seen in a very long time. In fact, the VA estimates that the number of Iraq and Afghanistan veterans in its health care system will reach well over ½ million at some point next year. That is an over 100-percent increase since 2008. This is a big challenge and one we have no choice but to step up to meet if we are going to avoid some of the same mistakes we saw with the Vietnam generation.

That is why this bill includes nearly \$3 billion to meet the health care needs of veterans who served in Iraq and Afghanistan, which is a nearly \$600 million increase over last year.

But it is more than just the sheer number of new veterans that will be coming home to the VA in the near future. It is the extent of their wounds,

both visible and invisible, that will require an untold resource from our Nation.

Through the wonders of modern medicine, servicemembers who would have been lost in previous conflicts are coming home to live productive and fulfilling lives. But they will need a lifetime of care from the VA. That is why part of this bill includes significant investments for research in a number of areas, including traumatic brain injury, spinal cord injury, polytrauma injuries, and sensory loss.

It includes funding that will go to maintaining world-class prosthetics such as the one that was worn by SGT Leroy Petry, whom I saw at the White House last week shake the hand of a grateful President Obama as he was awarded the Medal of Honor.

It is also funding that comes at a critical time as amputations have sharply increased among soldiers in Afghanistan, many of whom are getting out of protective MRAP and Humvees to engage Afghan citizens and at the same time putting themselves at far greater risk of severe IED injuries. According to a recent Washington Post article, twice as many U.S. soldiers wounded in battle last year required limb amputations than in either of the two previous years.

This funding also comes as mental health concerns continue to rise, and suicides among active-duty troops and veterans from these wars have risen to a level now on par with combat deaths. In April, the VA's suicide hotline took 14,000 suicide calls, more than they had taken in any month in the previous 4 years. This bill makes sure we are putting someone on the other end of that call. This bill funds efforts to give veterans access to mental health professionals, and ensures we are not leaving our veterans to go it alone.

But this will do much more than help our newest generation of veterans. For generations we have faced the problems of homelessness among our Nation's veterans without making any real headway. Recently, through the success of programs such as HUD-VASH and the Grant and Per Diem Program, we are seeing real progress toward putting homeless veterans into safe and secure housing, and the bold goals laid out by the Obama administration to end veterans' homelessness once and for all. This bill includes nearly \$1 billion in direct assistance to homeless veterans, and this bill helps those who have taken on the monumental but deeply personal task of providing care to an injured veteran in their family, those people who have left behind their own careers and personal lives, and even their own health care and benefits to care for those who can't take care of themselves.

It includes major investments to meet the unique needs of one of the fastest growing groups of veterans, women veterans who, through health care and construction upgrades that improve privacy, will benefit from VA

facilities that are more conducive to their needs.

This bill also includes major investments to fund military construction projects worldwide, including readiness centers, barracks, hospitals, clinics, and schools. It also supports family housing construction projects that ensure military families have a satisfactory roof over their heads. And that, by the way, will create thousands of good-paying jobs.

As we all know, the strength of our military is rooted in the strength of the families who support them. Investments such as these are what allow our servicemembers to go abroad knowing that their loved ones are being looked after by the Nation they are protecting.

After nearly a decade at war, the consequences of sending our servicemembers into combat and the sacred obligation we have to care for those injured in service have become clear. But so have the shortcomings and the challenges we have to meet.

Last week, I chaired a hearing on the gaps to mental health care that still exist at the VA, and the stories we heard were deeply frustrating. I heard the stories of two separate veterans who attempted suicide but were still left to wait for weeks, and even months, for appointments at the VA. We have to fix the VA in a way that meets that obligation so they are more flexible and responsive to the needs of today's veterans, and we have to do it in a cost-effective way by making sure we are getting the most value out of every dollar that a bill such as this one provides. Next week in our committee I will be examining the long-term costs of the wars in Iraq and Afghanistan to our newest generation of veterans, because I believe we need to address this problem openly and honestly.

Like generations of servicemembers and veterans before them, today's heroes have done everything that has been asked of them. They have been separated from their families through repeat deployments; they have sacrificed life and limb in combat; and they have done all this selflessly and with honor to our country. We cannot allow our commitment to them to lapse or to get caught up in politics. That is why we need to pass this bill.

We must also come to a budget agreement that avoids default and the consequences that would have on our veterans.

We have to keep our promise, no matter what.

Madam President, I yield the floor.

The ACTING PRESIDENT pro tempore. The Senator from New York.

#### ABBY WAMBACH AND THE U.S. WOMEN'S NATIONAL SOCCER TEAM

Mr. SCHUMER. Madam President, first I want to thank my colleague from the great State of Washington for her remarks and her never-ending

strong and successful defense of our veterans who have done so much for us. I want to salute my colleague from Washington State.

I am going to speak on two topics for the 10 minutes I have allotted. First, on Abby Wambach, the pride of Rochester and the U.S. Women's National Soccer team, and then on the Cut, Cap, and Unbalance Plan that is now being debated in the House and will soon be debated in the Senate.

First, I rise to recognize the extraordinary efforts of the U.S. Women's National Soccer team in this year's World Cup, and in particular Pittsford, NY's own Abby Wambach.

Over the last month, the Women's National Team has taken this country on the ride of a lifetime that we won't soon forget.

From their nail-biting efforts to qualify for the World Cup to their heroic comeback against Brazil in the quarter finals, this team showed the best of America during this year's World Cup. At each stage of this team's success, there was a driving force, a player who learned the game from her older brothers on the soccer fields of New York's greater Rochester region, a player named Abby Wambach. Hundreds of Rochester's fans gathered at her brother's pub to cheer on Abby as she headed ball after ball into the back of the net.

In the past few years, and especially the past month or so, Abby has become a household name. Fans from Rochester, the State of New York, and across the country watched in awe of Abby as she led the U.S. squad throughout the World Cup.

But in Rochester and the surrounding area, Abby has been a star ever since she played on Our Lady of Mercy High School's varsity team as an eighth grader. Unusually young to be playing on a varsity squad, she helped her team achieve a section V title. And as is clear to all of us who have watched Abby over the years, her success has continued ever since.

From Our Lady of Mercy to the Olympic games in Athens, and the 2011 World Cup, Abby has been an incredible player and leader at every turn. Abby Wambach has always represented the best New York has to offer and given young women across the country someone to look up to, and the last month of the World Cup action has only cemented her legacy as one of the greatest U.S. Women's Soccer players of all time.

She scored over 120 international goals, none more dramatic or meaningful than her goal against Brazil in the quarter finals. No matter the odds or the score, Americans will never give up and always believe, and Abby and her teammates showed that same drive and desire during the game against Brazil. Abby and the U.S. soccer team created a moment that will live long in the sports lore of our Nation.

As the buzz continues about her goal, there are some people close to Abby